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5 December 1958

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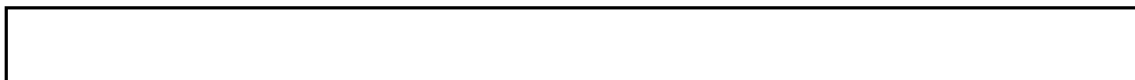
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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

5 December 1958

DAILY BRIEF

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I. THE COMMUNIST BLOC

OK
USSR-Berlin: In his 2 December talk with Senator Humphrey, Khrushchev described the Berlin situation as "a bone in his throat" which "had to be settled--he was not going to back down." If the West rejected his proposal for a free demilitarized city, he would carry out his previously announced plan to transfer control of allied access to the East Germans. He described recent Western comments on the possibility of maintaining access by force as threats and warned that the "Soviets have tanks too, lots of them. . . and rockets which we don't even have to fire from East Germany." He categorically rejected any possibility of discussing Berlin as part of the broader subject of German reunification. He said reunification could only be worked out by the two Germanies, and should be

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accompanied by a gradual withdrawal of foreign troops. Repeatedly describing the present nature of the East-West conflict as economic, he dismissed NATO as an example of Western preparation "for the wrong attack." [REDACTED] (Page 1)

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OK
USSR--Geneva talks: The Soviet delegate to the test-cessation talks in Geneva is retreating from his endorsement of the recommendations made last summer by the scientific experts at Geneva for a world-wide inspection system. He now insists that a control organization be limited to the three nuclear powers with inspection of a suspected violation subject to a veto. He contends that the system should be confined to the territories of the three powers and to the oceans. The Soviet delegate to the surprise-attack talks has privately indicated readiness to "adjourn" that conference on a mutually acceptable basis. [REDACTED]

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II. ASIA-AFRICA

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[REDACTED]
Afro-Asian Economic Conference: In the Afro-Asian Economic Conference, to be held under unofficial Egyptian sponsorship in Cairo from 8-11 December, Egypt will attempt to spark a drive against Western "economic imperialism" and to lay the foundations for an Arab common-market scheme to counter the "evils" of the European Common Market. Moscow will probably use the meeting to reiterate its "tell us what you need and we can help you" pledge given at the Afro-Asian Solidarity Conference held in Cairo last year. [REDACTED]

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25X1 Israel-Syria: The Israeli cabinet decision to complain to the UN Security Council about the border clash with Syria on 3 December may presage a more belligerent Israeli attitude on border problems. The Israelis almost certainly do not expect the UN to take what they would regard as effective action, and are probably building a record of formal complaints to which they could point if they should later decide to take direct "retaliatory" action.

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25X1 Finland: Prime Minister Fagerholm resigned on 4 December following a prolonged period of Soviet economic pressure. His five-party coalition government has been asked to remain in office until a successor can be found. The Communists are in the strongest position since 1948 to demand representation in the government, but most parties remain opposed to their inclusion.

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25X1 Venezuela: Former junta president Admiral Larrazabal is still generally considered the favorite of the three candidates for the presidency in the 7 December election. However, Romulo Betancourt, the Democratic Action nominee, is apparently improving his position. The race is expected to be close, and


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the vote of the Communist party, one of thee which nominated Larazabal, may provide the necessary margin for his victory.

 *Iceland: Disagreement between Prime Minister Jonasson's Progressive party and its Social Democratic and Communist partners over the government's economic program led to the resignation of his cabinet on 4 December. At the President's request, the cabinet agreed to remain in office temporarily. Determined efforts will probably be made to reconstitute the three-party coalition, since all three are anxious to prevent the powerful opposition Conservative party from returning to power. New elections are likely to be called only as a last resort since the Conservatives would probably be the principal beneficiaries.

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I. THE COMMUNIST BLOC

Khrushchev Says He is Determined to Carry Out Berlin Plans

Khrushchev stressed his determination, in his talk with Senator Humphrey on 2 December, to settle the Berlin situation on Soviet terms. Berlin, he said, "is a bone in my throat," and he warned that the maintenance of Western forces in West Berlin creates a "very serious situation." He said the USSR would not back down and would carry out its previously announced plans to transfer control of Allied access to the East Germans if the West rejected the Soviet plan for making West Berlin a demilitarized free city.

Khrushchev also warned against any Western threats to use force to break through East German controls of Allied traffic. He said the USSR has tanks and rockets and is ready to use them. Soviet troops in East Germany are not there "to play cards," he said, and unless the West agrees to Soviet terms, the USSR will go through with its plans.

At the same time, Khrushchev stressed his readiness to consider any Western counterproposals, saying he would accept "anything reasonable." He assured Senator Humphrey, "I don't want to do anything detrimental to the other three countries". . . "we want to cut this knot which spoils relations between the four powers."

Khrushchev insisted that the Berlin problem should be kept separate from the broader German question and should not be used as a bargaining point. He repeated his unwillingness to discuss reunification and stressed that the only solution is an all-German confederation which could be accompanied by a gradual withdrawal of foreign troops.

Khrushchev strongly emphasized the similarity between his Berlin proposal and the Austrian settlement, stating that the creation of a neutral Austria guaranteed by the four powers

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had removed a source of conflict. This line also appeared in Moscow's notes of 27 November which proposed guarantees for a free-city status for West Berlin "just as was done by the four powers with respect to neutral status which was adopted by Austria." The notes contended that under a free-city arrangement, Berlin could become a center for East-West German contacts and cooperation "in the interests of the unity of the German nation."

Moscow clearly hopes to stimulate West German interest in the free-city plan and the Austrian settlement as a precedent for a German solution. Khrushchev's remarks may foreshadow further proposals linking the Berlin plan to a broader scheme for a neutralized German confederation within a European security system based on disengagement as proposed by the Rapacki Plan. [REDACTED]

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[REDACTED]

[REDACTED]
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USSR--Geneva Talks

After agreeing on 28 November to include provisions on controls and nuclear-test cessation in a single treaty, the USSR's delegate to the test-control talks in Geneva on 3 December retreated from its endorsement of the recommendations for a world-wide inspection system made by its scientific experts at last summer's technical talks. He alleged that the delegates to the earlier conference did not examine the question of whether an "entire" system was needed, and said that any control organization must be limited to the three nuclear powers and must make all decisions on the basis of unanimous agreement. This arrangement would give Moscow a veto over all actions of the proposed control organization, particularly over decisions to inspect a suspected violation.

The Soviet delegate insisted that inspection be performed by ad hoc groups formed only after receipt of evidence from which the organization "decides" there is "strong suspicion" of a nuclear explosion. He also contended that a system confined to the territory and possessions of the three nuclear powers and to the oceans would be adequate at present since it would cover 80 percent of the world and 100 percent of the area controlled by the nuclear powers.

This retreat from the recommendations of the Geneva experts is a reversion to the Soviet disarmament proposals of June 1957 which provided for three-power inspection posts in the USSR, the United States, Britain, and the "Pacific area" on a "mutual basis." The attempt to misrepresent and reduce the scope of the control system agreed on by the experts and endorsed by the USSR probably is intended to discourage any Western concessions which might embarrass Moscow and undercut its efforts to place the onus for failure to reach agreement on the West.

In the talks on prevention of surprise attack, the USSR apparently is moving toward an early adjournment. The chief Soviet delegate has privately indicated his readiness to conclude

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the talks on a mutually acceptable basis. Moscow probably is satisfied that its omnibus proposals on inspection and disarmament in the declaration of 28 November, which will soon be made public, will contrast favorably with the West's insistence on a careful, technical study of the problem.

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Afro-Asian Economic Conference

The widely heralded Afro-Asian Economic Conference, to be held under unofficial Egyptian sponsorship in Cairo from 8 to 11 December, will provide a major forum for Soviet- and Egyptian-inspired anti-Western propaganda. The Soviet Union probably will use the conference to embellish its pledge of economic assistance given at the Afro-Asian Solidarity Conference held in Cairo last year. In this context, Moscow probably will attempt to gain maximum benefit from its agreement to help build the Aswan High Dam.

The UAR leaders may attempt to push plans for an Arab common-market scheme to counter "Western economic imperialism" and the "evils" of the European Common Market, which Cairo claims will lead to discrimination against Arab goods and higher prices for imported Western goods. Iraq, which in previous Arab meetings has been a restraining influence on such Egyptian maneuvers, reportedly will recommend the creation of a "big Asian-African economic organization," including trade centers for principal products. Baghdad has already called for a rice center in Communist China and a cotton center in Egypt.

Cairo claims that almost 800 delegates for 13 Arab, 8 African, and 18 Asian countries will attend the conference, and says it has sent invitations to "194 economic organizations in 101 Asian-African countries." Communist countries planning to attend include the Soviet Union, Mongolia, North Vietnam, North Korea, and Communist China.

Although some members will be legitimate representatives of economic interests, the meeting will be dominated by Egyptians, Communists, and fellow travelers. Because of the dissimilarities of the various countries, little positive progress is expected and achievements probably will be limited to setting up a number of committees and study groups. These groups probably will help extend Soviet and Egyptian influence throughout Asia and Africa.

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Fagerholm Cabinet Resigns in Finland

Social Democratic Prime Minister Fagerholm and his five-party coalition cabinet resigned on 4 December following a prolonged period of Soviet economic pressure against the government. In view of the seriousness with which Finnish officials regard the deterioration of relations with the Soviet Union, negotiations are expected to proceed rapidly to form a government with which Moscow will be willing to deal. The most likely outcome appears to be a cabinet with roughly the same parliamentary base as the present government, but excluding certain individuals regarded as persona non grata by Moscow. The Social Democratic party might also be excluded.

Soviet economic pressure became more intense last October when Moscow delayed the scheduled annual trade talks. Since then the USSR has sharply cut back or canceled orders from some principal Finnish suppliers in an apparent effort to aggravate the country's already serious unemployment and thereby further increase pressure on the government.

25X1 The Communists are in their strongest position since 1948 to demand representation in the government, but most parties remain opposed to their inclusion. Furthermore, growing public resentment over Soviet interference in Finnish internal affairs will make the democratic parties, particularly the Agrarians, more hesitant to advocate this extreme measure. The Communists intend to press their demands for representation at a mass rally scheduled for 9 December.

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The Venezuelan Elections

Former junta president Admiral Wolfgang Larrazabal is considered the favorite of the three candidates in Venezuela's 7 December election. He is backed by the Democratic Republican Union, the Communists, and another minor party. Romulo Betancourt, chief of Venezuela's largest party, Democratic Action--toward which the military has long been hostile--is his closest competitor and may have improved his prospects for victory in recent days. Although Rafael Caldera, chief of the Christian democratic COPEI, is considered the weakest candidate, he is expected to poll at least 25 percent of the estimated 2,500,000 votes.

The Communists, who may poll as many as 200,000 votes, could supply the margin for a Larrazabal victory in a race which is expected to be close. Larrazabal recently declared, as the other candidates did earlier, that he opposed having Communists in the coalition government that all major parties have agreed to establish regardless of the election results.

The campaign thus far has been relatively free of acrimony and violence. Top military commanders have refrained from overt interference in electoral activities and declared that the armed forces will be nonpolitical and will safeguard the outcome. A coup is more likely to be attempted after the elections than before, particularly if Betancourt wins or serious inter-party strife develops in the operation of a coalition government. Widespread civilian violence, however, could provoke military intervention.

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